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## Vietnam

## Grain and Feed Annual

## 2015

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**Report Highlights:**

Post estimates Vietnam's wheat import volume in the MY 2014/2015 at 2.10 million tons, a slightly increase compared to MY 2013/2014 imported volume, with expectations of an increase in the use of feed wheat.

Imported volume for MY 2015/2016 is forecast at 2.2 million tons, with the same expectation of increased feed wheat use. Vietnam's wheat imports for MY 2013/2014 were 2.03 million tons, about 100,000 lower than USDA's official estimate mainly due to less imported feed wheat.

Post estimates corn imported volume in MY 2014/2015 to be at 2.0 million tons, down from the 2.4 million tons of MY 2013/2014 due to the expected increase of local production. The import volume of corn in MY 2015/2016 is forecast at 1.8 million tons, a 200,000-ton decrease compared with MY 2014/2015, due to expected higher local corn production and carry-over stocks from MY 2013/2014.

Post estimates total rice production for MY 2014/2015 to reach 44.88 million tons of paddy rice, about 320,000 tons of paddy less than USDA's official number due mainly to the adjustment of seasonal rice planted/harvested area. Vietnam's MY 2014/2015 rice exported volume is revised to 6.7 million tons due to expected strong competition from Thailand, India, Pakistan and other new exporters such as Cambodia and Myanmar.

## **Executive Summary:**

### **SITUATION AND OUTLOOK**

In calendar year 2014, Vietnam shipped local corn for selling through the border to China due mainly to the price difference. In turn, Vietnam imported extra volume of Brazilian corn to substitute for the demand gap. This makes Vietnam become again a seasonal corn exporter, which happened in the last decade.

Ministry of Agriculture and Rural Development (MARD) had signed Decision 69/QD-CT-CLT which recognized three genetically modified corn varieties of Syngenta Co., This event officially allowed growing of GM corn for commercialization in Vietnam. Post forecasts an increase of the corn production in CY 2016, given favorable policy from the GVN and the use of GMO corn varieties. The CY 2016 Vietnam corn production is forecasted to increase thanks to the GVN's new policy.

Unlike feed wheat, which has fluctuating consumption levels depending on many factors, milling wheat has an increasing trend in the pace of urbanization and consumers becoming more familiar with the usage of convenience food, in recent years, and, increased sophistication and exposure to the Western lifestyle and Western food products. Wheat-based foods, therefore, are being increasingly consumed in Vietnam, in place of the rice-based diet that still dominates Vietnamese cuisine. The booming of the giant fast food chains coming into Vietnam, McDonalds, Dunkin Donuts, Burger King and others is also a key factor to boost the use of wheat based food. The use of wheat based food, however, is still limited to big cities. The level of increased consumption of milling wheat, therefore, is still moderately small or unchanged. There is predominantly the change of using more high quality wheat for higher quality wheat based products introduced in the western food outlets. The demand for U.S. wheat, which is considered as premium quality wheat, therefore, increases steadily. Overall, total demand for milling wheat is ranging from 1.50 to 1.55 million tons a year.

During the past few years, numerous provinces in the Mekong River Delta have set up large-scale rice farms, attracting the participation of plant protection companies and local farmers. Companies provide farmers with rice seed and pesticides and, in turn, they get to buy rice from farmers immediately after harvesting. The model allows using machineries and pesticides effectively so as to gain higher yields. However, numerous farmers have complained that plant protection companies take nearly all the profits from these projects, consequently leaving farmers taking part in the model with little benefits.

Particularly, participating farmers are buying rice seed and pesticides from these companies at prices higher than the market prices while the companies buy harvested rice at a price equal to that set by the Vietnam Food Association. The model to grow large-scale rice farms has helped farmers reduce production costs. Meanwhile, Vietnam's Ministry of Agriculture and Rural Development considers this model as the modern scheme for rice production and is now targeting to expand the model to one million hectares nationwide from hundreds of hectares during the last crops. However, rice farmers are still facing hardships as rice exporters and intermediary traders often gain the most in the rice industry.

The Ministry of Agriculture and Rural Development developed a program for shifting from rice crops to other cash crops, prioritized for corn and soybeans. This is the second year of the program and there is a targeted 100,000-110,000 hectares of rice cultivation changing to corn and soybean crops per year, i.e., a total 200,000 ha in two years. In reality, the harvest area from MY 2012/2013 to MY 2014/2015 has shrunk from 7.86 million hectares to 7.70 million hectares (about 160,000 hectares in those 2 years). The program is not considered as successful as people expected. However, the planted/harvested rice area continues to be cut in MY 2015/2016.

### **Vietnam feed industry summary**

The Vietnam feed industry relies on about 42% of total demanded volume imported from other countries, which includes

soybean meal, corn, DDGS, various kinds of meal or bran like copra, canola, rape seed meal, wheat bran, etc.; and some animal protein sources like meat and bone meal (MBM) and fish meal. The local production source of feed ingredients includes corn, rice bran, broken rice and cassava.

In local supply, rice bran and broken rice are obtained from the rice industry and there is approximately 5 million tons of rice bran from the rice milling industry, most of which is used for feed. Unlike rice bran, which is used only as a feed ingredient, broken rice is used in a relatively small volume given its strong competitiveness with exported rice. Post estimates about 500,000 tons of small broken rice is used for feed each year. Similarly, despite a gigantic production volume of cassava (more than 10 million tons yearly), feed use for cassava has strong competition with exported cassava, local industrial use and the biofuel industry. As a result, the volume of cassava for feed use is only about 1.8-2.0 million tons during CY 2014-2016 period.

Imported feed wheat accounts for about 20-25 percent of total imported wheat in recent years. However, the import volume can be increased greatly when wheat prices become competitive with corn import prices. Wheat then becomes an alternative as a source of energy ingredients.

While Vietnam can supply more than 75 percent of its demand for energy source feed ingredients, it relies heavily on imported protein sources (soybean, soybean meal, meat and bone meal, fish meal...). Currently, Vietnam focuses on expanding corn and soybean planted area to minimize the yearly imports. However, it seems that corn is preferable in terms of government policy for expanding its planted area.

Imports of finished feed are estimated at about 1.5 million tons per year. Home-made feed is estimated based on the main ingredients, mainly from local supply sources, such as corn, rice bran, broken rice, and cassava. However, the actual volume of home-made feed includes other local vegetable sources and various kinds of food waste.

**Estimate of supply of feed ingredients for Vietnam feed industry (unit: million tons)**

	<b>CY 2014</b>	<b>CY 2015</b>	<b>CY 2016</b>
<b>Import(1)</b>	<b>9.35</b>	<b>9.50</b>	<b>9.65</b>
Soybean Meal	3.70	3.75	3.80
Corn	2.00	2.00	2.00
DDGS	0.50	0.50	0.50
Feed wheat	0.50	0.55	0.60
Other meal/bran	1.00	1.00	1.00
Others (MBM, FM, ...)	1.65	1.70	1.75
<b>Local supply (2)</b>	<b>12.50</b>	<b>13.00</b>	<b>13.50</b>
Corn	5.20	5.60	6.00
Rice bran	5.00	5.00	5.00
Broken rice	0.50	0.50	0.50
Cassava	1.80	1.90	2.00
<b>Imported feed (3)</b>	<b>1.50</b>	<b>1.50</b>	<b>1.50</b>
<b>Grand Total (4)</b>	<b>23.35</b>	<b>24.00</b>	<b>24.65</b>
<b>Manufactured feed (5)</b>	<b>14.70</b>	<b>15.60</b>	<b>16.50</b>
<b>Home-made feed (6)*</b>	<b>7.15</b>	<b>6.90</b>	<b>6.65</b>

\*: (6) = (4)-(3)-(5); Source: Post's estimate

**Commodities:**



# 1. WHEAT

## STATISTICAL TABLES

### Vietnam's Production, Supply and Demand for Wheat

Wheat	Vietnam	2013/2014		2014/2015		2015/2016	
		Market Year Begin: May 2013		Market Year Begin: May 2014		Market Year Begin: May 2015	
		USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested		0	0	0	0		0
Beginning Stocks		264	264	400	321		321
Production		0	0	0	0		0
MY Imports		2,158	2,033	2,100	2,100		2,200
TY Imports		2,158	2,033	2,100	2,100		2,200
TY Imp. from U.S.		162	162	0	270		300
Total Supply		2,422	2,297	2,500	2,421		2,521
MY Exports		172	126	160	150		150
TY Exports		172	126	160	150		150
Feed and Residual		350	350	400	400		450
FSI Consumption		1,500	1,500	1,550	1,550		1,550
Total Consumption		1,850	1,850	1,950	1,950		2,000
Ending Stocks		400	321	390	321		371
Total Distribution		2,422	2,297	2,500	2,421		2,521

1000 HA, 1000 MT, MT/HA

# **Vietnam's Wheat Imports**

<b>Import Trade Matrix</b>			
<b>Country</b>	Vietnam		
<b>Commodity</b>	Wheat		
	Units: Metric Tons		
Time Period	Jul-Jun		July – Feb*
Imports for:	<b>2013/2014</b>		<b>2014/2015</b>
U.S.	162,000	U.S.	263,320
Others		Others	
Argentina	0	Argentina	0
Australia	1,414,031	Australia	757,584
Black Sea	99,885	Black Sea	0
Brazil	0	Brazil	127,354
Canada	110,632	Canada	82,856
Russia	43,703	Russia	16,358
India	105,586	India	21,289
Pakistan	0	Pakistan	0
Total for Others	1,773,837		1,005,441
Others not Listed	96,353		108,877
Grand Total	2,032,190		1,377,638

\* 2012 totals are for eight months only

## **PRODUCTION**

Vietnam does not produce wheat.

## **CONSUMPTION**

The MY 2014/2015 wheat consumption is estimated at 1.95 million tons, a 100,000-ton increase from MY 2013/2014 due to the likely increase of both the milling wheat and feed wheat on the market (50,000 tons of each kind).

The MY 2015/2016 wheat consumption is forecast to slightly increase due to the greater demand for feed wheat following the growth of the feed industry, mostly for aqua feed.

The Marketing year (MY) 2013/2014 wheat consumption is revised at 1.85 million tons, unchanged with USDA's official MY 2013/2014 estimate.

Wheat is the second staple food (after rice) for Vietnamese who live in the big cities of Vietnam, consumed in many forms of wheat based food; Of the traditional wheat based food, Chinese noodles and instant noodles account for the largest share of wheat flour consumption in Vietnam, at 40-50 percent. Bread/baguette production consumes about 35-40 percent, and about 10-25 percent is used for other baked goods and wheat-based foods. The growth of the noodle and baked goods industries is the driving factor for the growth of milling wheat consumption.

Unlike feed wheat, which has fluctuating consumption levels depending on many factors, milling wheat has an increasing trend in the pace of urbanization and consumers becoming more familiar with the usage of convenience food, in recent years, and, increased sophistication and exposure to the Western lifestyle and Western food products. Wheat-based foods, therefore, are being increasingly consumed in Vietnam, in place of the rice-based diet that still dominates Vietnamese cuisine. The increased presence of fast food chains coming into Vietnam, such as McDonalds, Dunkin Donuts, and Burger King, etc., is also a key factor in boosting the use of wheat based food. The use of wheat based food, however, is still limited to big cities. The level of increased consumption of milling wheat, therefore, is still moderately small or unchanged. There is increased use of more high quality wheat for higher quality wheat based products introduced in the western food outlets. The demand for U.S. wheat, which is considered as premium quality wheat, therefore, is increasing steadily. Overall, total demand for milling wheat is ranging from 1.50 to 1.55 million tons per year.

Some small quantities are also milled for feed use, so called feed wheat. Feed wheat's share of total feed consumption was usually about 20-25 percent, mainly used for aquaculture feed, both as an ingredient and a binding agent for the feed, especially shrimp feed and other aqua-feed. Feed wheat, however, has recently been an alternative source for other animal feeds, in lieu of corn, cassava, and broken rice, based on its price competitiveness. Feed wheat imported in MY 2013/2014 decreased sharply due to its price being uncompetitive, with volume estimated at about 500,000 tons. Post estimates the use of feed wheat for the local animal feed industry in MY 2014/2015 to be slightly increased, 50,000 tons, compared with MY 2013/2014 in anticipation of the growth of the feed industry. Similarly, Post forecasts another increase of 50,000 tons for the MY 2015/2016.

As of 2014, there are 24 wheat mills nationwide, with a total designed capacity of about 3.1 million tons annually. With strong competition from foreign invested mills, there are only a few local small private

mills existing in the system. As a matter of fact, with the yearly consumption of 2.0-2.1 million tons, the actual average capacity of those mills only reaches 68 percent of designed capacity. This shows a strong competition in the wheat milling sector and also demonstrates the anticipation of future growth of Vietnam's wheat consumption.

## TRADE / COMPETITION

### Import

Vietnam is a net importer of wheat. Current import duties are five percent for wheat and fifteen percent for wheat flour. Australian wheat, however, enjoys duty free access to Vietnam under the Australia – Vietnam Free Trade Agreement.

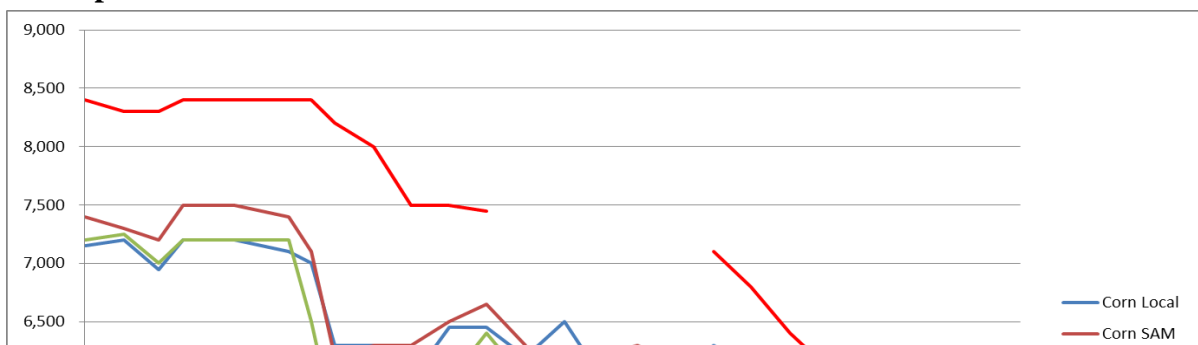
Post estimates Vietnam's wheat imports volume in the MY 2014/2015 at 2.10 million tons, a slight increase compared to MY 2013/2014 imported volume, with expectation of an increase in the use of feed wheat. Imported volume for MY 2015/2016 is forecast at 2.2 million tons, with the same expectation for increased use of feed wheat. Vietnam's wheat imports for the MY 2013/2014 were 2.03 million tons, about 100,000 lower than USDA's official estimate mainly due to less imported feed wheat.

Australian milling wheat is expected to continue dominating the wheat import market in Vietnam, accounting for over 70-80 percent of Vietnam's total wheat imported volume in MY 2012/2013.

The growth of baked wheat-based products and noodles requires high quality wheat, which possibly favors increased consumption of U.S. wheat. U.S. wheat is also used by Vietnamese mills for blending as a cost-effective way to improve the quality of their flour products. The recent year-on-year volume of U.S. wheat exported to Vietnam is keeping on increasing proving the increase demand of premium quality wheat. Exports of U.S. wheat into Vietnam reached more than 160,000 tons in MY 2013/2014, and an estimated 270,000 tons in MY 2014/2015, and 300,000 tons in MY 2015/2016, as forecasted. Recent improvements in trade-related infrastructure, such as deep sea ports that can receive Panamax vessels, should help U.S. wheat be more competitive by reducing ocean freight costs.

As mentioned, feed wheat can be an alternative source mainly in place of corn. Imports of feed wheat depend greatly on its price competitiveness with corn prices. Feed wheat imported in MY 2013/2014 decreased sharply due to its price uncompetitiveness as shown in the below graph, the big gap between feed wheat prices and corn prices from January 2013 until August 2015. The feed wheat-corn price gap was narrowed down from August to November 2014, along with the absence of Indian corn, resulted in some extra volume of feed wheat imports into Vietnam in December 2014.

### Local prices of corn versus feed wheat in CY 2013-2014





Source: US Grain Council Rep. office in Vietnam

## Export

### Vietnam Exports of wheat flour in Marketing Year *(ton, wheat equivalent quantity)*

Importer	Marketing year				
	2011/2012	2012/2013	2013/2014	2014/2015 (est.)	2015/2016 (forecast)
<b>Total</b>	<b>102,600</b>	<b>112,180</b>	<b>125,860</b>	<b>150,000</b>	<b>150,000</b>
Thailand	56,090	69,770	73,870		
Philippines	16,420	17,780	17,780		
Hong Kong	6,840	10,940	15,050		
Singapore	10,940	12,310	13,680		
Indonesia	-	2,740	4,100		
South Korea	-	-	1,370		
Malaysia	9,580	-	-		
Taiwan	1,370	-	-		

**Source: Global Trade Atlas**

Vietnam has recently exported wheat to neighboring countries in South East Asia. Thailand is the biggest partner of Vietnamese flour. Wheat flour from Vietnam exported to Thailand is mainly competitively priced, low quality product and mainly supplied as an ingredient for the aquaculture industry, with some small quantities for the instant noodle industry. Vietnam exports of wheat flour to other countries like Indonesia, Malaysia, and The Philippines are mainly for the feed industry; and to Singapore, Hong Kong and Taiwan for the food processing industry and/or re-selling to other countries. Exports of Vietnamese wheat flour are estimate at 150,000 tons, wheat equivalent quantity, in the MY 2014/2015 and 2015/2016, due to possibly the increase aquaculture industry demand in neighboring countries.



## 2. CORN

## STATISTICAL TABLES

## Vietnam's Production, Supply and Demand for Corn

Corn	Vietnam	2013/2014		2014/2015		2015/2016	
		Market Year Begin: May 2013		Market Year Begin: May 2014		Market Year Begin: May 2015	
		USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested		1,195	1,179	1,250	1,250		1,300
Beginning Stocks		236	236	730	723		948
Production		5,294	5,188	5,625	5,625		5,980
MY Imports		2,300	2,399	2,000	2,000		1,800
TY Imports		2,300	2,800	2,000	2,000		1,800
TY Imp. from U.S.		511	511	0	10		10
Total Supply		7,830	7,823	8,355	8,348		8,728
MY Exports		400	400	400	500		500
TY Exports		400	400	400	500		500
Feed and Residual		5,500	5,500	5,600	5,600		5,900
FSI Consumption		1,200	1,200	1,300	1,300		1,400
Total Consumption		6,700	6,700	6,900	6,900		7,300
Ending Stocks		730	723	1,055	948		928
Total Distribution		7,830	7,823	8,355	8,348		8,728

1000 HA, 1000 MT, MT/HA

## Vietnam's Corn Import

Import Trade Matrix			
Country	Vietnam		
Commodity	Corn		
		Units:	Metric Tons
Time Period	May-April		May/February
Imports for:	2013/2014		<b>2014/2015</b>
U.S.	253,268	U.S.	263,039
Others		Others	
India	771,630	India	329,156
Brazil	927,679	Brazil	744,161
Thailand	198,491	Thailand	10,623
Argentina	141,290	Argentina	477,853
Laos	25,903	Laos	3,636
Cambodia	62,850	Cambodia	18,750
Total for Others	2,381,111		1,584,179
Others not Listed	17,515		28,000
Grand Total	2,398,626		1,875,218

## PRODUCTION

Corn is Vietnam's second largest annual crop, after rice, in terms of cultivated area. However, corn production area is located only where other better cash crops cannot be grown (such as in the mountainous regions with poor soil fertility) or lack of water for other better cash crops, intercropped after a better cash crop (such as soybeans in the upland area, or rice in the lowland area when water supply is short for rice). Since it is primarily being grown in unfavorable conditions, Vietnam's corn crop is usually yield diminished or damaged by insects and weeds.

Corn is one of several local crops such as cassava and rice (broken rice, rice bran), which are used to supply the quickly growing feed industry. And local corn production has been not able to satisfy the demand in recent years. Imported corn is brought in with the volume of about 2.0 million tons each year. As such, corn producers are under pressure to quickly increase their productivity in order to satisfy the increasing demand. Significantly improving average yields by using high-yielding varieties seems the most likely way to achieve the government's objectives of increasing corn production for supplying the feed sector.

In March 2015, Ministry of Agriculture and Rural Development (MARD) signed Decision 69/QD-CT-CLT, which recognized three genetically modified corn varieties of Syngenta Co. This is officially allowance production of GM corn for commercialization in Vietnam. (See more in Policy section).

According to the Ministry of Agriculture and Rural Development (MARD), Vietnam calendar year (CY) 2014 corn production was 5.19 million tons, a 105,000-ton decrease compared to Post's last forecast (see [Vietnam G&F update October 2014](#)). This is due to smaller harvested area caused by adverse weather in the north of Vietnam.

The estimate of CY 2015 harvested area is revised from 1.2 million hectares to 1.25 million hectares due to the government of Vietnam's (GVN's) policy to increase the corn planted area by shifting from ineffective rice cultivation area. The average corn yield is expected to be slightly higher due to the use of GM varieties. The CY 2015 corn production is revised about 300,000 tons higher than Post's estimate in [Vietnam G&F update October 2014](#).

**Vietnam Corn Production in Calendar Year 2014-2015 and forecast for 2016**

	Unit	2014		2015		2016 Forecast
		Old	New	estimate	Revised	
Harvested area	1,000 Ha	1,195	1,179	1,200	1,250	1,300
Yield	mt/ha	4.43	4.40	4.45	4.50	4.60
Production	1,000 mt	5,293	5,188	5,340.00	5,625.00	5,980.00

*Source: MARD / Post Estimate*

Post forecasts the corn harvested area in CY 2016 at 1.3 million hectares, given encouraging policy from the GVN and the allowed production of GM corn varieties. CY 2016 Vietnam corn production is

forecast to increase more than 350,000 tons, reaching 5.98 million tons, possibly a historically significant change thanks to the GVN's new policy.

The below table shows the planted corn area by geographical region. The northern midlands and mountain area has the largest corn planted area, followed by the Central highland.

**Area of maize by geographically region (Unit: 1000 ha)**

	<b>2011</b>	<b>2012</b>	<b>2013</b>
<b>WHOLE COUNTRY</b>	<b>1,121.3</b>	<b>1,156.6</b>	<b>1,172.5</b>
<i>Red River Delta</i>	96.0	86.4	88.3
<i>Northern midlands and mountain areas</i>	465.7	502.0	505.8
<i>North Central and Central coastal area</i>	207.6	121.4	205.6
<i>Central Highland</i>	232.6	246.9	252.4
<i>South East</i>	78.7	79.3	80.1
<i>Mekong River Delta</i>	40.7	39.6	40.3

*Source: General Statistics Office*

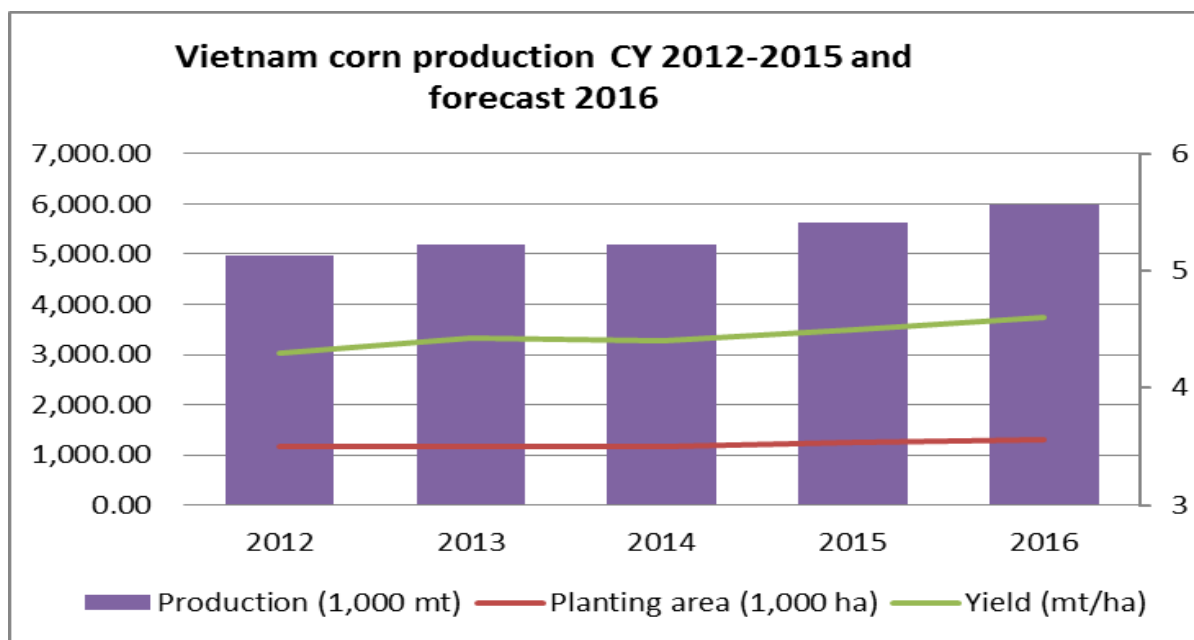
Southern regions (Central Highlands, South East, Mekong River Delta) grow mostly one corn crop per year, starting from the middle of May. Northern regions (Red River Delta, Northern midlands and mountain area, North Central and Central coastal area) have two to three crops per year (Spring, Autumn, Winter).

According to MARD, the Spring crop starts from the first half of February to second half of May; the Autumn crop starts from the end of May to early September; the Winter crop starts from the end of September to early January.

**Corn area in northern area in 2010**

	<b>Crop</b>			<b>Total</b>
	<b>Spring</b>	<b>Autumn</b>	<b>Winter</b>	
<i>Red River Delta</i>	32.560	12.000	53.040	97.600
<i>North Central and Central coastal area</i>	48.920	34.380	52.000	135.300
<i>Northern midlands and mountain areas</i>	286.552	173.448	-	460.000
<b>Total</b>	<b>368.920</b>	<b>219.448</b>	<b>105.040</b>	<b>692.900</b>

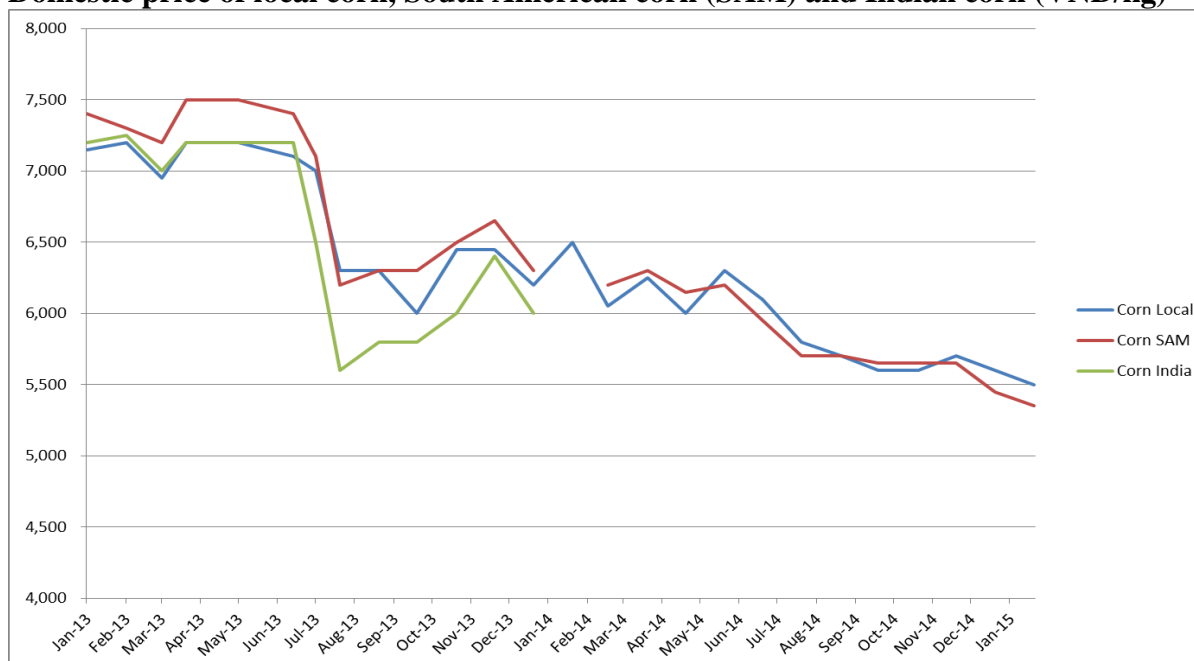
*Source: MARD*



## DOMESTIC PRICES

Domestic corn prices went down continuously in the CY 2014, due to the drop of imported corn prices which made the local corn price follow the downward trend, regardless of its seasonal structure.

### Domestic price of local corn, South American corn (SAM) and Indian corn (VND/kg)



Source: US Grain Council Rep. office in Vietnam

## **CONSUMPTION**

In Vietnam, corn is used as the main source of energy-ingredient for the animal feed industry, for food use as corn starch, and for limited use by other industries like beer, textiles, and the pharmaceutical industry. However, more than 80 percent of corn is used as feed ingredients.

In the animal feed industry, corn is used in both the commercial and home-made sectors, mainly for hog and poultry feeds. Corn use is expected to increase to meet the livestock sector's growth, and predominantly comes from imported sources, at least for the time being and in the near future, because local corn production is not able to keep up with fast growing demand of the animal feed industry. Currently, the feed industry needs about 1.8-2.0 million tons of imported corn to satisfy its demand. However, the real imported volume depends greatly on the availability of other alternative products like broken rice, rice bran, and cassava locally, and the price competitiveness of imported feed wheat and DDGS. The annual increase of corn use both for food and feed is about 200,000 – 400,000 tons depending on above mentioned factors.

## **TRADE / COMPETITION**

Competition exists between the home-made feed and manufactured feed sectors in Vietnam. Commercial feed manufacturers usually can only purchase up to 50 percent of total locally produced corn.

Corn growers, on the other hand, do not have appropriate storage facilities. Farmers must sell their product quickly after the harvest, which will continue to make the local corn prices prone to seasonal fluctuations.

Corn has competition from other feed ingredient sources. Cassava, broken rice local production and imported feed wheat are among the main alternatives to corn. In recent years, rice and cassava have been more focused on export markets and fell short of supplying the domestic animal feed industry. Imported feed wheat was a very good alternative for imported corn when feed wheat prices became competitive.

## **IMPORT / EXPORT**

Post estimates corn imported volume in MY 2014/2015 to be at 2.0 million tons, down from 2.4 million tons of the MY 2013/2014, due to the expected increase of local production. The import of corn volume in MY 2015/2016 is forecast at 1.8 million tons, a 200,000-ton decrease compared with the MY 2014/2015, due to expected higher local corn production and carry-over stocks from MY 2013/2014.

U.S. corn exports to Vietnam in MY 2013/2014 hit a record of 511,000 tons, due to its competitive price. The export volume in MY 2014/2015 dropped to 10,000 tons, due to, according to Vietnamese buyers, its unsuitable moisture that makes it difficult for storage in the tropical weather condition. Post forecasts U.S. corn export to Vietnam will be at a minimum level of 10,000 tons in MY 2015/2016, the same as the MY 2014/2015 level.

Brazil became the biggest corn supplier into the Vietnam market, reaching nearly 1.0 million tons in MY 2013/2014 and about 800,000 tons in the first 10 months of MY 2014/2015. Post estimates Vietnam's import of Brazilian corn at about 1.0 million tons, the same volume with MY 2013/2014.



According to trade sources, Vietnam exported some volume of its locally produced corn to China via border trade. There is no official data on the total volume; reportedly, Vietnam exported around 400,000 tons of local corn to China over MY 2013/2014. Post estimates the border trade with China will be 500,000 tons for both MY 2014/2015 and MY 2015/2016.

### **Imports of DDGS**

The U.S. is still the only source of DDGS to the Vietnam market. The Vietnam yearly average import volume is about 500,000 tons. The import volume was decreased in CY 2012 and 2013 due to quarantine pest issues but then bounced back strongly in CY 2014.

### **Imports of DDGS from 2011-2014**

	2011		2012		2013		2014	
Product	Value	Quantity	Value	Quantity	Value	Quantity	Value	Quantity
Distillers Grains	125,654	495,687	105,258	371,350	114,124	357,134	168,288	655,011

*Source: GATS*

## **POLICY**

### **Official application of commercial production of three GM corn varieties**

Ministry of Agriculture and Rural Development (MARD) had signed Decision 69/QD-CT-CLT which recognized three genetically modified corn varieties of Syngenta Co. This event officially allows growing of those GM corn varieties for commercialization in Vietnam.

In detail, three GM corn varieties namely NK66 BT, NK 66 GT and Nk66 BT/ GT will officially be allowed for planting in corn regions in the country. Among them, NK66 BT is applied in the areas affected by corn borer; NK66 GT applied to regions where herbicide is applied at the 3-4 leaf stage of corn; BT variety NK66 / GT for areas having high pressure of corn borer and the use of herbicides at 3-4 leaf stage of corn.

Those three GM corn varieties NK66 BT, NK66 GT and NK66 BT/GT were developed from the same NK66 hybrid. NK66 was approved and added to the list of planting crops allowed for production and commercialization in Vietnam as regulated by MARD's Decision 40/2006/QD-BNN dated May 22, 2006.

### **The deadline for approval process of issuing of the certificate for GM plants to be used as food/feed postponed until March 2016**

Effective from March 31, 2015. Amendment of clause 2, article 18, circular 02/2014/TT-BNNPTNT dated January 24, 2015, of the Ministry of Agriculture and Rural Development regarding the approval process of issuing and revocation of the certificate for genetically modified plants to be used as food, feed. The amendment stated that Dossiers for registration of plant transgenic events must be submitted by **March 10, 2016**, before it is continued to be allow for use as food or feed in the Vietnam territory. The previous deadline was **March 10, 2015**.

On January 24, 2014, Ministry of Agriculture and Rural Development (MARD) Vice Minister Le Quoc Doanh signed Circular 2/2014/TT-BNNPTNT to promulgate the Approval Process of Issuing and

Withdrawing Certification for Genetically Modified Plants for use as food and feed. Circular 2, outlining the approval process for agricultural biotechnology to be used as food and feed, is the last piece of regulation necessary for Vietnam to commercialize agricultural biotechnology. Circular 2 entered into force on March 10, 2014 and biotech developers have already submitted dossiers to MARD seeking food and feed approval for biotech traits. Click [here](#) to see more in details.

## RICE

## STATISTICAL TABLES

## Vietnam's Production, Supply and Demand for Rice

Rice, Milled	Vietnam	2013/2014		2014/2015		2015/2016	
		Market Year Begin: Jan 2014		Market Year Begin: Jan 2015		Market Year Begin: Jan 2016	
		USDA Official	New Post	USDA Official	New Post	USDA Official	New Post
Area Harvested		7,788	7,788	7,770	7,700		7,660
Beginning Stocks		863	863	824	974		824
Milled Production		28,161	28,161	28,250	28,050		28,160
Rough Production		45,058	45,058	45,200	44,880		45,056
Milling Rate (.9999)		6,250	6,250	6,250	6,250		6,250
MY Imports		300	300	400	400		500
TY Imports		300	300	400	400		500
TY Imp. from U.S.		0	0	0	0		0
Total Supply		29,324	29,324	29,474	29,424		29,484
MY Exports		6,500	6,350	6,700	6,700		6,700
TY Exports		6,500	6,350	6,700	6,700		6,700
Consumption and Residual		22,000	22,000	21,900	21,900		22,000
Ending Stocks		824	974	874	824		784
Total Distribution		29,324	29,324	29,474	29,424		29,484
1000 HA, 1000 MT, MT/HA							

## PRODUCTION

### Vietnam's Area, Yield, and Production for Rough Rice (as of March 2015)

Marketing Year	2013/2014 Revised		2014/2015 Estimate		2015/2016 Forecast	
Harvested Area (tha)	Old	New	Old	New	Old	New
Winter <sup>1</sup>	1,770	1,770	1,750	1,700		1,680
Spring <sup>2</sup>	3,111	3,111	3,140	3,100		3,100
Autumn <sup>3</sup>	2,907	2,907	2,880	2,900		2,880
<b>TOTAL</b>	<b>7,788</b>	<b>7,788</b>	<b>7,770</b>	<b>7,700</b>		<b>7,660</b>
Yield (mt/ha)						
Winter	4.75	4.75	4.75	4.80		4.85
Spring	6.67	6.67	6.70	6.70		6.75
Autumn	5.47	5.47	5.50	5.50		5.55
<b>AVERAGE</b>	<b>5.79</b>	<b>5.79</b>	<b>5.82</b>	<b>5.83</b>		<b>5.88</b>
Production (tmt)						
Winter	8,407	8,407	8,313	8,160		8,148
Spring	20,750	20,750	21,038	20,770		20,925
Autumn	15,901	15,901	15,840	15,950		15,983
<b>TOTAL</b>	<b>45,058</b>	<b>45,058</b>	<b>45,191</b>	<b>44,880</b>		<b>45,056</b>

<sup>1</sup> Lua  
Mua  
(10<sup>th</sup>  
Month),  
<sup>2</sup> Winter-  
Spring, <sup>3</sup>  
Summer-  
Autumn  
Source:  
MARD,  
Post  
estimates

**Estimate  
for  
MY  
2014/  
2015  
(begin  
January  
2015)  
Post  
estimate**

ates total rice production for MY 2014/2015 to reach 44.88 million tons of paddy rice, or approximately 28.05 million tons of milled rice equivalent. This is about 320,000 tons of paddy less than USDA's official number for the same Marketing Year due mainly to the adjustment of seasonal rice planted/harvested area. Post estimates 70,000 hectares less for MY 2014/2015 harvested area.

The initial Post forecast for MY 2015/2016 rice production is 45.06 million tons with expected higher yield in seasonal crops, therefore, off- setting the smaller production area of Winter and Autumn crops.

The Ministry of Agriculture and Rural Development developed a program for shifting from rice crop to other cash crops, prioritized for corn and soybean. This is the second year of the program. There is a planned 100,000-110,000 hectares of rice cultivation that will change to corn and soybean crops per year, i.e., 200,000 ha in two years. In reality, the harvested area from MY 2012/2013 to MY 2014/2015 has shrunk from 7.86 million hectares to 7.70 million hectares (about 160,000 hectares in those 2 years); the program is not considered as successful as people expected. The planted/harvested rice area continues being cut in the MY 2015/2016.

### Spring Crop

The total harvested area for the MY 2014-2015 Spring crop in the Mekong River Delta (MRD), planned by the Ministry of Agriculture and Rural Development (MARD), is reported identically the same size

with the MY 2013/2014 Spring crop. Post estimates the total Vietnam MY 2014/2015 spring crop planted area is at 3.10 million hectares. This is also due to favorable weather conditions, which allow farmers to be able to maintain their large planted area the as those of MY 2013/2014.

The planting progress of MY 2014/2015 Spring crop in North Vietnam was reported as faster than MY 2013/2014, due to the favorable weather that allowed farmers to carry out earlier plantings. As of March 15, 2015, the Northern Spring crop planting is nearly accomplished, about 98.6 percent compared to planting intentions. Some areas are still planting with late Spring crop. The MY 2014/2015 harvested area in other regions than the MRD is expected to be unchanged compared with MY 2013-2014.

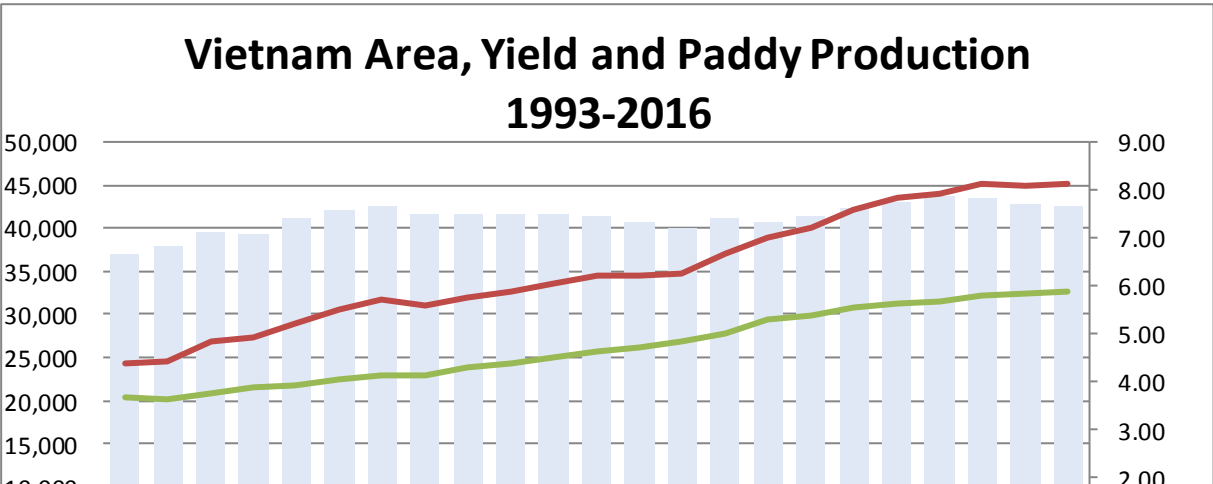
**Autumn Crop**

The autumn crop is mainly located in the southern provinces. Especially, the MRD typically accounts for more than 80 percent of the total autumn crop planting area. As of March 15, 2015, the on-going MY 2014/2015 autumn crop planted area (mainly in the MRD) totaled more than 287,000 hectares, compared to about 212,000 hectares in MY 2013/2014, year on year basis, mainly due to the early harvest of the MY 2014/2015 Spring crop in the Mekong River Delta.

The overall Vietnam harvested area for the MY 2014/2015 autumn crop is estimated to increase about 20,000 hectares, compared to the MY 2013/2014 autumn crop, mainly due to the GVN setting a larger planted/harvested area for the late Autumn crop in the MRD.

**Winter Crop**

Post estimates the harvested area for winter crop is 1.7 million hectares, decreasing about 70,000 hectares in MY 2014/2015 compared with MY 2013/2014. The cut is going to happen mainly in the Mekong River Delta, where the Winter crop is no longer considered as one of the main crops due to its lower yield than other crops, and being a longer crop cycle that makes it more susceptible to pests and diseases. Harvested area of MY 2015/2016 Winter crop is forecasted to be at 1.68 million hectares.



*Source: Foreign Agricultural Service, Official USDA Estimates*

***The large scale rice farm is on the way***

Started in 2008, the total area of large scale rice farms in the MRD (throughout 13 provinces) had reached over 200,000 hectares by the end of MY 2012/2013. A large scale rice farm can be from 50-100 hectares in most of the provinces. A few farms can reach to 400-500 hectares. A common large scale rice farm in the Mekong River Delta is ranging between 100-150 hectares. According to MARD, it is expected to have totally around 300,000-500,000 hectares of large scale rice planting farms by the year of 2015.

The Ministry of Agriculture and Rural Development (MARD) continues encouraging farmers to implement the Large Scale Rice Farm model, where farmers gather their individual small farms to get a larger scale farm model where farmers can capture an economy of scale for their farm work such as land preparation, seeding, chemical, fertilizer applications, irrigation, harvesting... to save the production cost; to better use of mechanical in rice cultivation, protect the environment, and to build a stronger competitiveness. Most of the production input (fertilizer, pesticide, machinery...) is supported by a trading company. In return, the company will purchase directly most of the rice products from farmers, without going through middle men.

During the past few years, numerous provinces in the delta have set up large-scale rice farms, attracting the participation of plant protection companies and local farmers. Companies provide farmers with rice seed and pesticides and, in turn, they get to buy rice from farmers immediately after harvesting. The model allows using machineries and pesticides effectively so as to gain higher yield. The model to grow large-scale rice farms has helped farmers reduce production costs. However, numerous farmers have complained that plant protection companies take nearly all the profits from these projects, consequently leaving farmers taking part in the model with little benefits. Particularly, participating farmers are buying rice seed and pesticides from these companies at prices higher than the market prices while the companies buy harvested rice at a price equal to that set by the Vietnam Food Association. Meanwhile, Vietnam's Ministry of Agriculture and Rural Development considers this model as the modern scheme

of rice growing and is now targeting to expand the model to one million hectares nationwide from hundreds of ha during the last crops. However, rice farmers are still facing hardships as rice exporters and intermediary traders often gain the most in the rice industry.

### **Mekong River Delta (MRD) Rice Production in the MY 2012/2013**

#### **Spring Crop**

As of March 20, 2015, Mekong River Delta (MRD) farmers have harvested nearly one million hectares, about 65 percent, of their MY 2014/2015 spring crop. Post estimates the harvested area in the region to be 1.56 million hectares, about the same size with MY 2013/2014. The estimated spring crop production for MRD is 11.23 million tons of paddy, up about 50,000 tons from the MY 2012/2013. According to MARD, the planted crop has been in very good condition and is expected to be a big bumper crop in MY 2014/2015 with the region's average yield of about 7.2 tons per hectares.

#### **Autumn Crop and Winter Crop**

The autumn crop is mainly located in the southern provinces. The MRD typically accounts for more than 80 percent of the total autumn crop planting area. The Autumn crop includes Main Autumn and Late Autumn crops.

Under the MARD program for shifting about 100,000-110,000 hectares of rice cultivation to other crops, especially corn and soybean, some area of the main Autumn crop (about 10,000 hectares) is cut for shifting to other crops. However, according to MARD, the plan for late Autumn crop area is still expanding due to the high selling price advantage during the harvest time of the crop, which is off-season with competing countries' harvests. Post estimates the MRD total harvested area for the MY 2014/2015 Autumn crop at 2.47 million hectares (including main and late Autumn crops), about the same compared with MY 2013/2014.

As of March 15, 2015, the ongoing MY 2014/2015 autumn crop planting is underway with a total area of more than 288,000 hectares, compared to about 212,000 hectares at the same period last year, mainly due to the earlier harvest of Spring crop than MY 2013/2014. The on-going planted area of the Autumn is being carried out about two weeks after the harvest of the Spring crop on the same field.

### Rice Production in the Mekong Delta by Marketing Year (000 ha; mt/ha; 000 mt)

	2013/2014 (Revised)			2014/2015 (Estimate) (old)			2014/2015 (Estimate) (new)		
	Area	Yield	Prod.	Area	Yield	Prod.	Area	Yield	Prod.
Winter	220	4.10	902				200	4.20	840
Spring	1,563	7.16	11,188				1,560	7.20	11,232
Autumn (in which)	2,469	5.32	13,302				2,470	5.54	13,686
Main Autumn	1,679	5.60	9,402				1,670	5.80	9,686
Late Autumn	790	4.94	3,900				800	5.00	4,000
<b>Total</b>	<b>4,310</b>	<b>5.93</b>	<b>25,392</b>				<b>4,255</b>	<b>6.05</b>	<b>25,758</b>

Source: MARD, Post estimate

### CONSUMPTION

Rice is the main staple food in Vietnam. Vietnam's decline in per-capita rice consumption is consistent with other countries in Asia. As the economy develops, consumers have greater purchasing power and more access to other foods, with per-capita consumption of rice tending to decline as income increases.

According to MARD, the most recent per capita rice consumption is about 136 kilogram. MARD uses the average per capita rice consumption to forecast rice supply and demand. The amount of rice used for average per capita consumption has decreased because of the availability of other food sources. The average per capita rice consumption per month in urban areas is lower than that in the rural areas. Rice consumption also registered a faster decline in urban areas. However, from this current per capita rice number, the yearly population growth of about one million people is the main driver of the increase in total consumption and total consumption continues to grow. Post estimates that the country needs each year an additional 150,000 tons for total rice consumption as staple food.

Other factors in Vietnam's increased rice consumption include higher use of rice in home-made animal- and aquaculture-feeds, and growth in industrial scale food processing, especially in the beer and rice wine industries.

Post estimates the additional use of rice for food processing industry is 50,000-100,000 tons per year. In this sector, beer and local rice wine are those taking up a large volume of rice. The growth of the industry is steady at 10 percent annually.

In the animal feed industry, commercial feed only satisfies around 50 percent of the total demand; the remaining 50 percent is drawn from local sources for home-made feed. Rice is one of the main sources of home-made feed for swine, fish, and poultry, especially in the MRD. Although in the table: **Estimate of supply of feed ingredients for Vietnam feed industry**, shows the maximum supply of rice for feed is about 500,000, Post estimates the increased use of rice for animal feed industry is estimate at 200,000-300,000 tons per year, depending on its price competitiveness with other alternative sources like corn and cassava. In total, the additional local rice consumption is a maximum of 500,000 tons per year.

### STOCK

There is no official number for Vietnam rice stocks. Rice stocks are calculated from the total of rice production, carry over stock and import after deducting export and consumption and residual. Rice



stocks in MY 2013/2014 went down below 1 million tons, due to the increase of rice consumption and residual. Rice stocks in MY 2014/2015 and MY 2015/2016 are estimated to decrease to 824,000 tons and 784,000 tons, respectively, due to remaining strong rice consumption and residual and expected higher export volumes.

## TRADE / COMPETITION

### Domestic Prices

Domestic prices fluctuate depending on several factors: the availability of paddy harvested from different crops during the year, the export demand, and the overall carry-over stock/ending stock. The paddy prices usually drop to their lowest point two times in the year: once at the peak harvest of the Spring crop (during March-April) and once at peak harvest of the main Autumn crop (during June-July). The paddy prices also depend on the available stocks, especially carry-over stocks, by the end of the year, against the off-harvest time in that period. The harvest of the Spring crop paddy is going on only by the end of January in the Mekong River Delta.

In MY 2013/2014, the paddy prices went down but did not fluctuate too much over the year. However, paddy prices went up to the highest level by the last three months of MY 2013/2014 compared to the other months due to the thin rice paddy stock. This is also the reason farmers of the late Autumn crop, which is harvested by the end of the year, have the tendency of extending their crop to gain their income.

### Government Purchase program

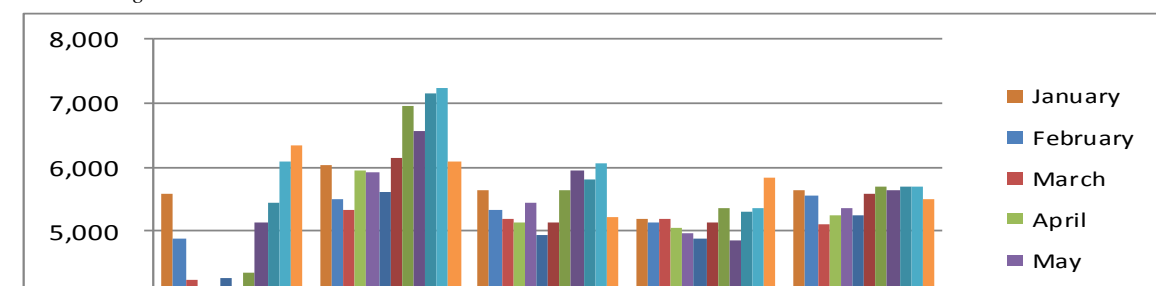
The Vietnam Food Association (VFA) is a social organization of enterprises operating in the fields of food producing, processing and trading. One of the VFA's functions is to boost the country's rice production, under direction of the Prime Minister. It often creates programs and instructs its members to purchase rice for stockpiling one or two times per year in March and/or June, just when the peak Spring and Autumn harvests occur. This prevents the local prices from dropping significantly, thereby helping farmers to maintain higher profit margins for their rice production. The purchase program often goes together with the minimum purchase price or guaranteed purchase price.

The purchase price established by VFA used to be based on the calculation of estimated production cost, provided by the Vietnam Ministry of Finance, of a specific seasonal crop plus 30 percent to serve as a profit margin. The guaranteed purchase price for paddy rice has been VND5,000 per kilogram since in MY 2010/2011; The guaranteed purchase price set for the MY 2009/2010 Spring crop was VND4,000 per kilogram, while MY 2008/2009 was set at VND3,500 per kilogram.

On February 24, 2015 the Prime Minister decided to approve the purchase program for 1 million tons of rice basis in the Spring crop in the Mekong River Delta from March 1 to April 15, 2015. The State Bank of Vietnam will provide support by giving the companies who participate under the purchase program a 6 months referential bank loan with a maximum of 4 months free interest.

### Vietnamese Monthly Paddy Price calendar year 2010-2014

Unit: VND/kg



*Source: Vietnam Food Association, Combined data*

## **Exports**

The Vietnam MY2014/2015 rice exports is revised to 6.7 million tons due to expected strong competition from Thailand, India, Pakistan and other new exporters such as Cambodia and Myanmar. The MY 2015/2016 rice export is forecasted at 6.7 million tons, due to expected low carry-over stocks from the MY 2014/2015.

In early MY 2013/2014, VFA set the export target for 6.5 million tons of milled rice, due to strong competition among top rice exporting countries like India, Thailand, and Pakistan. In addition, other new rice exporters such as Myanmar and Cambodia also tried to boost their export volume in the MY 2013/2014. According to VFA, Vietnam January-December 2014 exports reached 6.32 million tons, an FOB value worth \$2.79 billion, and CIF valued at \$2.93 billion. Exported volume was reported more than 5 percent lower compared to MY 2012/2013. The export value was also down 3.46 percent on Free-on-Board (FOB) basis.

The Vietnam Food Association (VFA) maintains rice export registration requirements and the Minimum Export Price (MEP) based on the Government regulations on rice exports, Ordinance 109/2010/ND-CP, in order to regulate the flow and prices for rice exports.

On the official trade, Asia remained the biggest market for Vietnamese rice with nearly 5 million tons out of total 6.32 million tons in the MY 2013/2014. The Philippines has come back with about 1.5 million tons of official imports from Vietnam.

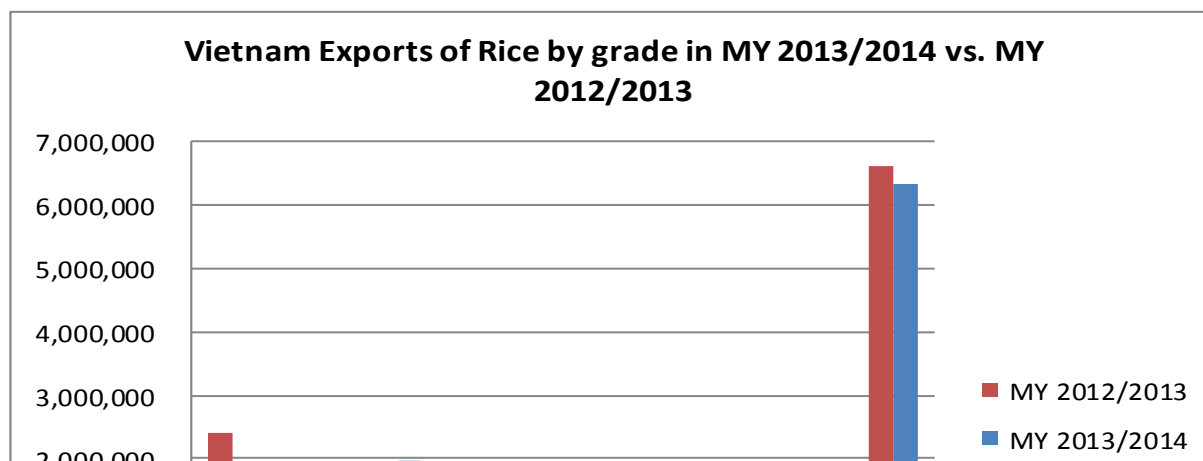
China remained, for the second year, the top Vietnamese rice importer with 2.0 million tons of milled rice in MY 2013/2014, down 200,000 tons from MY 2012/2013's 2.2 million tons. Vietnamese rice exports to the Chinese market remained strong in the MY 2014/2015. However, Vietnam had stronger competition from Thailand, India, Pakistan and Myanmar in this marketing year into the Chinese market.

Vietnam's exports of milled rice dropped dramatically in the MY 2013/2014. The total volume was recorded at 800,000 tons compared to 1.8 million tons in the MY 2012/2013 due to strong competition from India, Thailand and Pakistan.

The buying season for the African market is not in the first quarter, but from the second quarter of the year onwards. Rice is normally shipped to African countries by international traders on a Free-On-Board (FOB) basis, and the cargoes are delivered by large vessels that stop at several ports of different African countries. The exact volume of Vietnamese rice that each African country imports is not clearly recorded by Vietnam's statistical authority.

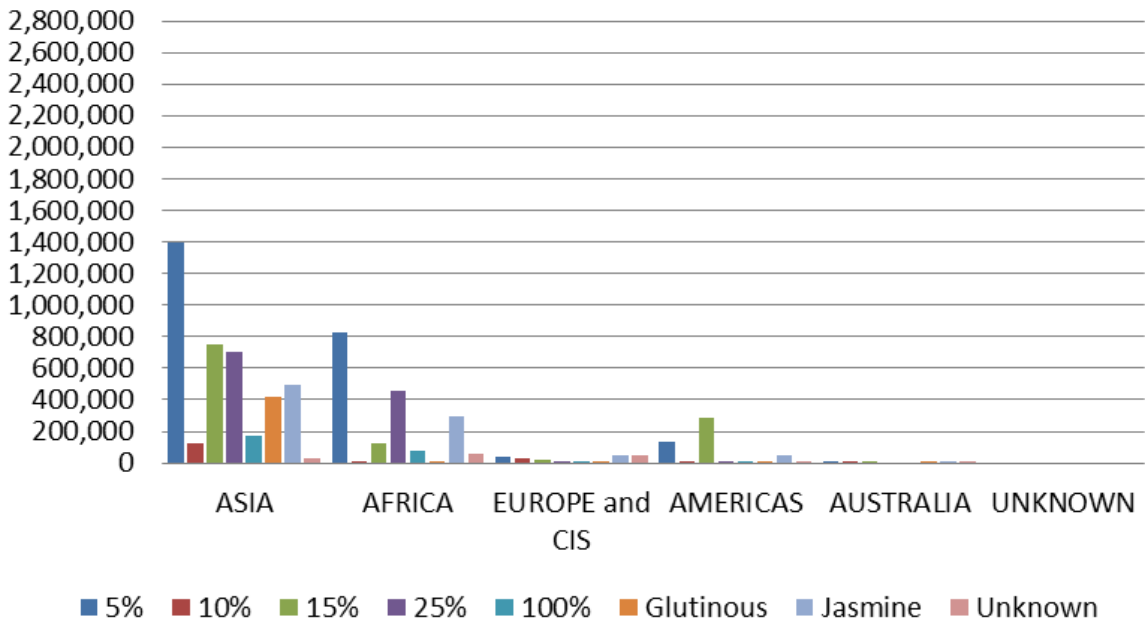
In the Americas, in the first quarter of MY 2012/2013, Vietnam announced a government contract with Haiti for shipping about 300,000 tons of Vietnamese rice for the whole year of 2013. The first shipment of 15,000 tons under the government contract arrived Haiti in March 2013. And for MY 2013/2014 the volume was only 20,000 tons. Comments from the trade are that Vietnam rice is different from that typically consumed in Haiti, which is mainly imported from the U.S. The Prime Minister of Vietnam, while on an official delegation to Haiti in March 28-29, 2013, signed a memorandum for Haiti to purchase about 200,000 tons each year from CY 2014.

By quality (grade), Vietnam shipped less in high quality white rice (5 percent, 25 percent), but more in 15 percent, glutinous, and Jasmine (aromatic) rice in MY 2012/2013. Especially, jasmine rice volume had a record of more than 900,000 tons compared to nearly 600,000 in MY 2011/2012. It is a goal of Vietnam to focus more on higher value export rice.



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### Vietnam Exports of Rice by grade and Destination MY 2012/2013



### Imports

Vietnam imports rice mostly from Cambodia, with a small volume of sticky rice coming from Laos. Most of Cambodia's shipments occur around the beginning of the calendar year, immediately after its main crop is harvested. In Vietnam, imported paddy is used for local consumption after processing, since most of the rice grown in the Mekong River Delta is purely for export. Vietnamese farmers also have paddy rice investments in Cambodia for additional rice production, which is used mostly for local consumption in Vietnam.

In the absence of official data, Post estimates that MY 2014/2015 and MY 2015/2016 rice imports from Cambodia is 400,000 tons and 500,000 tons, respectively, given very thin carry-over stock from MY 2013/2014. According to people living in the Mekong River Delta, Vietnamese farmers rent land in the Cambodia border area for planting rice and bringing most of their harvested paddy back to Vietnam.